The Fertiliser Association of India

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Current News

Current news on the latest developments in fertiliser, energy, weather, agriculture, agri-business, logistics, economy, and other related areas

(*The views expressed in the news items are not necessarily of FAI*)

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ENERGY

OPEC, allies yet to hike output by one million barrels per day: Oil Minister

Oil cartel OPEC and allies haven't yet kept their promise of raising oil output by one million barrels a day, oil minister Dharmendra Pradhan said, but didn't blame supply scarcity for recent crude price trend.

The Organization of Petroleum Exporting Countries (OPEC) and allies led by Russia had agreed to raise output by one million barrels per day or about 1% of global supply to keep the oil market in balance.

"According to our information, Russia and Saudi, the major two contributors in OPEC, have increased their production but some other countries are lagging," Pradhan said. Crude oil prices gained about $10 a barrel in three months to October 3 but gave up $6 in the following 10 days. It's trading around $80 a barrel now.

"Issue is not shortfall. Issue is now sentiment," Pradhan said, referring to the current turmoil in the oil market. "Due to some geopolitical uncertainty in different parts of world, not only Iran, there is a sentimental issue, that is the primary challenge."

A sharp drop in Venezuela's output and fears that the US sanctions on Iran may curtail global supplies have driven up crude oil prices recently, and prompted Saudi Arabia to assure it would step in to meet any shortfall India might face.

Pradhan said he wasn't worried about supply shortfall due to Iran sanctions. "We are confident from day one that there is no problem in the sourcing of crude. There is plenty availability of crude in different parts of the world," he said.

The oil market today has a sentiment problem, not a supply problem, IHS Markit vice chairman Daniel Yergin said. "It is physically balanced but emotionally unbalanced because of the uncertainties and geopolitical issues on the table," he said. OPEC secretary general Mohammad Sanusi Barkindo said the balance in the oil market was increasingly looking fragile. "The market is well supplied. The balance has been achieved. But this balance is looking fragile at the moment due largely to factors outside our control," he said.

By achieving stability in the oil market OPEC has helped big consumers like India, Barkindo said. "As a major consuming country, without the stability it would be a huge challenge for them to plan, let alone manage the supply-demand dynamics in this fast-growing economy."

OPEC has forecast that India's oil demand would rise by 5.8 million barrels per day between 2017 and 2040, which would be about 40% of the global oil demand growth of 14.5 million barrels per day.

Source: The Economic Times, Wednesday, October 17, 2018

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AGRICULTURE

Maharashtra cabinet nod for 1 lakh solar pumps at Rs 3,435 crore

The installation of solar agriculture pumps will be undertaken in three phases. In the first phase, 25,000 solar pumps at Rs 858.75 crore will be installed in the current financial year 2018-19. The second phase has 50,000 solar pumps, which will require Rs 1,717.50 crore to be completed in year 2019-20.

The state cabinet on Tuesday gave the approval for one lakh solar agriculture pumps. The total cost for the project, Mukhya Mantri Saurya Krishipump Yogna (MMSKY), is Rs 3,435 crore. The installation of solar agriculture pumps will be undertaken in three phases. In the first phase, 25,000 solar pumps at Rs 858.75 crore will be installed in the current financial year 2018-19. The second phase has 50,000 solar pumps, which will require Rs 1,717.50 crore to be completed in year 2019-20.

The third phase will be 25,000 solar pumps incurring expenditure of Rs 858.75 crore to be completed in year 2020-21. Chief Minister Devendra Fadnavis said, "The state government has decided to bring agriculture sector under solar power. The growing demand for agriculture pumps, coupled with ambitious target to increase the irrigation potential, state government felt the need to provide uninterrupted power to the farmers during the day time. Therefore, decision has been taken to shift the agriculture sector to solar power."

"Solar power is a big step towards achieving the ambitious goal of sustainable farming to double the production and ensure higher renumerations to the farmers," he added.

At present, agriculture pumps operates on electricity, which is generated using thermal power. The power supply to the farmers is partly directly subsidised and cross subsidised. In 2017-18, the direct subsidy given to farmers was power supply used in agriculture pumps for farming activities was Rs 4,870 crore. Whereas, subsidy extended to farmers under cross subsidy was Rs 8,096 crore.

In cross subsidy, the amount is recovered from domestic and industrial users who have to pay higher rates to offset the losses incurred because of subsidy given the farmers. The solar pump, which requires highest investments during the installment, will work out more economical in the longer run, officials in the energy department informed the cabinet. Arguing, the heavy annual power subsidy extended to farmers would be enough to offset the overall installation cost of the solar agriculture project.
The government has sought minimal one-time installation cost which is 10 per cent of the solar agriculture pump from the farmers.

However, farmers belonging to backward category will have pay only five per cent.

The farmers, whose agricultural land is less than five acres, will be provided agriculture pump with three horse power. Those above five acres would be given agriculture pump with five horse power.

Source: The Indian Express, Wednesday, October 17, 2018

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Why monsoon-dependent Indian economy needs climate-sensitive budgeting

Statistics show that 65% of the net sown area constitutes rain-fed crops, demonstrating the over-reliance on monsoons for crop growth.

Indian growth story has a capricious content of monsoon rains. As India moves into election year, the political economy of the monsoon is crucial to analyse. How the government strengthens their structural policies to ease the agrarian distress, contain food inflation and trigger the rural economy is something that a median voter in India is keenly looking forward to.

In India, 70% of annual rainfall is received in four months—June, July, August and September. As the rural economy is predominantly monsoon-dependent, any deviation from normal rainfall has repercussions on it. The official statistics show that, in India, agriculture accounts for around 16% of GDP and contributes around 49% of employment.

It is an irony that India is a significant example of an economy that still depends on the cyclicality of rains—the timely arrival and even distribution of monsoon—for its economic growth. A good monsoon is crucial for the rural economy as it not only is significant for kharif crops, but also for rabi crops, by replenishing the underground water. An important prelude to doubling the income of farmers is to trigger the growth of the agriculture sector.

The Inter-Governmental Panel on Climate Change (IPCC) predicted that, in the absence of any adaptation by farmers to climate change—in the absence of even rainfall—across regions in India, the farm incomes will be significantly lower than the average in the coming years. This points to the significance of the monsoon in the rural economy of India, which is predominantly rain-fed.

The impact of monsoon rains across states has been strikingly heterogeneous this year. The south Indian state, Kerala, has faced severe floods. Cloudbursts and landslides have also been reported in Himachal Pradesh, Uttarakhand and Jammu and Kashmir. Given the divergent effects of monsoons on the economy, it is high time that state governments in India initiate climate-responsive budgeting, integrate the rainfall empirics as one component, and also track the public spending on adaptation and mitigation strategies of unpredictable weather cycles.

The inflation-targeting framework by RBI is crucial for containing inflation in India through altering repo rates through the decision of the Monetary Policy Committee (MPC). When tackling food inflation is beyond the central bank's targetting rules, any deviation of monsoon rains from normal rainfall can trigger food inflation. The efficacy of the New Monetary Framework in India—agreed between ministry of finance and the Centre—in incorporating the effects of supply-side determinants of inflation, like monsoon rainfall, through expectations is crucial in manoeuvring the food inflation dynamics in India.

The impact of rainfall has been highly divergent between irrigated and non-irrigated areas. The districts where less than 50% of cropped area is irrigated is categorised as non-irrigated area. The recent Economic Survey noted that non-irrigated areas are twice as dependent on rainfall as irrigated land areas are. Within the irrigated areas, some crops are significantly dependent on rainfall. Statistics show that 65% of the net sown area constitutes rain-fed crops. Kharif crops are grown in this period and they are heavily dependent on monsoon rains.

The agrarian distress in India is real and the Centre has announced fiscal packages to deal with the agrarian distress. The Union government has announced MSPs for 14 major kharif crops. The major kharif crops include paddy, maize, millets, cotton, sugarcane and protein-rich pulses, which are predominantly rain-fed. The farm loan waiver policies have been announced by a few state governments, which have implications for their fiscal deficits. Apart from MSP announcements, the Indian government has also designed several schemes including rural infrastructure spending, viz., PMGSY (Pradhan Mantri Gram Sadak Yojana) and a major financial programme, viz., Jan Dhan Yojana, to catalyse the rural economy. The step by the ministry of finance to introduce a calamity tax or a cess to finance the restructuring programmes of states devastated through natural calamities in the aftermath of monsoons is a welcome step. A committee has been constituted by the GST Council to look into the issue of calamity tax or cess, and they are expected to submit the report by October 31, 2018.

By- Lekha S Chakraborty. Associate professor at National Institute of Public Finance and Policy

Source: Financial Express, Wednesday, October 17, 2018

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ECONOMY

India is 58th most competitive economy in WEF index

Jumps five spots from 2017

India has been ranked as the 58th most competitive economy on the World Economic Forum's global competitiveness index for 2018, which was topped by the US. India's rank rose by five places from 2017, the largest gain among G20 economies, the WEF said.

On the list of 140 economies, the US is followed by Singapore and Germany at the second and the third positions respectively. India was ranked 58th with a score of 62.0 in the latest Global Competitiveness Report. "This is the largest gain among all G20 economies," WEF said.

Meanwhile, neighbouring China was ranked at the 28th position in the overall list. According to the report, the top performers in the "upper and lower middle-income brackets", such as China and India, are catching up with or even outperforming the average among high-income economies.

"China, is already more advanced when it comes to investing in research and development sub-pillar than the average high-income economy, while India is not far behind and let down only by its less-efficient bureaucracy for business creation and insolvency," the report said.

Among the BRICS economies, China topped the list at 28th place with a score of 72.6, ahead of the Russian Federation (65.6, 43rd), India (62.0, 58th), South Africa (60.8, 67th), and Brazil (59.5, 72nd). India, however, remained the "South Asia's main driving force."

As per the report, India leads the region in all other areas of competitiveness except for health, education and skills, where Sri Lanka boasts the highest healthy life expectancy (67.8 years) and the workforce with the highest amount of schooling (9.8 years). "These two countries (India and Sri Lanka) are also the ones that can rely on the most efficient infrastructure system. India has invested more heavily on transport infrastructure and services, while Sri Lanka has the most modern utility infrastructure," it added.

As per the report, India's greatest competitive advantages include its market size, innovation (in particular the quality of its research establishments and business dynamism (including the number of disruptive businesses). While the areas that the country needs to improve include, labour market (in particular workers rights), product market (in particular trade tariffs) and skills (in particular pupil-teacher ratio).

Other countries in the top 10 include, Switzerland (4th), Japan (5th), Netherlands (6th), Hong Kong (7th), United Kingdom (8th), Sweden (9th) and Denmark (10th).

The World Economic Forum's Global Competitiveness Index 4.0 is a composite indicator that assesses the set of factors that determine an economy's level of productivity - widely considered as the most important determinant of long-term growth. The GCI 4.0 framework is built around 12 main drivers of productivity -- Institutions, Infrastructure; Technological readiness; Macroeconomic context; Health; Education and skills; Product market; Labour market; Financial system; Market size; Business dynamism; and Innovation.

Source: The Hindu Business Line, Wednesday, October 17, 2018

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No country can benefit from slowing global economy: Prabhu

No country can benefit from the decline in the world trade, and the slowing global economy is a concern for all nations including India, Commerce and Industry Minister Suresh Prabhu said on Tuesday.

For past six-seven decades, there was a lot of predictability in doing business globally, but in the course of last few months, "we are seeing a dramatic change in global trade," he said.

India is the "worst sufferer" of the declining trade and slow economic growth in the world as the country has huge stake and its share in the world trade is also increasing, he added.

He stressed that slowing global economy is a concern for India as it has the potential to reach $5 trillion size before 2025 and $10 trillion before 2035.

Imposing customs duties by the US on certain steel and aluminium products have triggered a trade war kind of situation in the world. It has also raised duties on Chinese goods. China too has hiked tariffs in retaliation.

The statement also assumes significance as India's exports declined for the first time in the current fiscal, contracting 2.15 per cent in September to $27.95 billion due to a fall in shipments of key sectors such as engineering and gems and jewellery.

The World Trade Organisation (WTO) last month lowered the growth projections for trade to 3.9 per cent from the 4.4 per cent estimated earlier for 2018 due to trade tensions between the US and China.

Prabhu said that the ministry has set up a high-level think tank to suggest the government to promote exports and navigate through these global situations.

He said that the ministry has identified products and countries to promote exports.

"We have also prepared a well thought action plan for achieving $5 trillion economy," he said adding $ 1 trillion would come from manufacturing, $3 trillion from services sector and $ 1 trillion from agriculture.

Talking about ease of doing business, the minister hinted that India has improved its ranking in the World bank's doing business index.

"You will have a good news when World Bank will release its report," he said. The report is scheduled to be released this month.

Source: The Hindu Business Line, Wednesday, October 17, 2018

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FOREIGN EXCHANGE RATES – Tuesday, October 16, 2018

Currency	Buy (₹)		Sell (₹)	
	TT	Bill	TT	Bill
Dollar	73.52	73.55	73.43	73.42
Euro	85.17	85.2	85.07	85.06
Pound Sterling	97.18	97.22	97.07	97.05
100 Yen	65.63	65.66	65.54	65.54

Source: The Hindu Business Line, Wednesday, October 17, 2018

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